

Message Text

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64

ACTION EB-11

INFO OCT-01 EUR-25 NEA-14 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /168 W

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R 091159Z MAY 74

FM USINT ALGIERS

TO SECSTATE WASHDC 0505

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY VIENNA

AMEMBASSY JIDDA

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAGS: ENGR, AG, OPEC

SUBJ: NEW ALGERIAN OIL PRICING PROPOSAL TO OPEC

1. ALGERIANS HAVE BEEN CALCULATING "PROFITS" OF FOREIGN COMPANIES PRODUCING OIL IN ALGERIA-CFP, ERAP, AND GETTY WITH THEIR 51/49 PERCENT JOINT PRODUCTION WITH SONATRACH. IN 1974, FOREIGN COMPANIES WILL EXPORT ROUGHLY 13 MILLION TONS. IF ONE USES GOA POSTED PRICE OF \$16.216 A BARREL, THEN FOREIGN COMPANIES PAY \$9.28 A BARREL TO GOA IN FORM OF ROYALTY AND TAX. THEY ALSO PAY ROUGHLY \$1.00 A BARREL PRODUCTION COSTS TO SONATRACH OR A TOTAL COST IN ALGERIA OF \$10.28. A BARREL. AT SAME TIME, NON-PRODUCERS ARE PAYING ROUGHLY \$14.00 A BARREL TO SONATRACH. IN ALGERIAN EYES, THE \$3.72 DIFFERENCE BETWEEN \$10.28 AND \$14.00 IS "PROFIT" FOR PRODUCERS OF CRUDE IN ALGERIA. IN TOTAL DOLLAR FIGURES THIS PROFIT WILL AMOUNT TO ABOUT 368 MILLION DOLLARS IN 1974.

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2. GOA HAS SUBMITTED PAPER TO OPEC WHICH WOULD SET FLOOR PRICE FOR CRUDE PRODUCED IN OPEC COUNTRY. USING ALGERIAN EXAMPLE FLOOR MIGHT BE BETWEEN \$12.25 TO \$13.75 A BARREL. IF FOREIGN PRODUCING COMPANIES WOULD NOT PAY THIS AMOUNT FOR OIL, THEN PRODUCING COUNTRY WOULD BUY AT FLOOR PRICE AND SELL AT REAL MARKET PRICE -- \$14.00 PER ALGERIAN EXAMPLE. WITH BOTH FLOOR AND MARKET PRICES SET BY GOA, IT WOULD THEN HAVE FULL CONTROL OVER PRICE OF ALL ITS OIL AND MARGIN OF PROFIT OF OIL COMPANIES.

3. OPEC IS SUPPOSED TO CONSIDER ALGERIAN NEW PRICING PROPOSAL AT ITS JUNE MEETING IN PERU. OPEC BLESSING WOULD BE ESPECIALLY ADVANTAGEOUS TO ALGERIA SINCE IT WOULD AVOID NEW BILATERAL FIGHT WITH FRANCE.

4. \$14.00 A BARREL USED FOR ILLUSTRATIVE PURPOSES. PRICE PER BARREL OF ALGERIAN OIL FOR SECOND QUARTER STILL HAS NOT BEEN ANNOUNCED AS COMPANIES BALKING AT \$14.00 PRICE TAG.
EAGLETON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ALGIER01022
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740113-0591
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740562/aaaacdnu.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAR 2002 by collinp0>; APPROVED <07 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW ALGERIAN OIL PRICING PROPOSAL TO OPEC
TAGS: ENRG, AG, OPEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005